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**CONTEMPORARY ARTS CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

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Postlethwaite  
& Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**CONTEMPORARY ARTS CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

## TABLE OF CONTENTS

<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS:</u>	
Statements of Financial Position, June 30, 2014 and 2013	3
Statement of Activities, For the Year Ended June 30, 2014	4
Statement of Activities, For the Year Ended June 30, 2013	5
Statements of Cash Flows, For the Years Ended June 30, 2014 and 2013	6
Notes to Financial Statements	7
<u>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	17
<u>SUPPLEMENTAL SCHEDULE:</u>	
Supplemental Schedule of Departmental Activity, For the Year Ended June 30, 2014	19

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Contemporary Arts Center

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Contemporary Arts Center (a nonprofit organization) (the "Center") which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Contemporary Arts Center as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of departmental activity on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

*Postlethwaite & Nettenville*

Metairie, Louisiana  
January 14, 2015

**CONTEMPORARY ARTS CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 505,135	\$ 633,240
Accounts receivables, net	106,632	34,386
Prepaid expenses	27,270	6,288
Total current assets	<u>639,037</u>	<u>673,914</u>
<b><u>NONCURRENT ASSETS</u></b>		
Property and equipment, net of accumulated depreciation	7,013,082	7,052,141
Art collection	140,626	140,626
Investments	3,007,377	2,764,449
Other assets	8,187	7,252
Total noncurrent assets	<u>10,169,272</u>	<u>9,964,468</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 10,808,309</u></b>	<b><u>\$ 10,638,382</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>LIABILITIES</u></b>		
Cash overdraft liability	\$ 44,619	\$ -
Accounts payable and accrued expenses	289,630	205,083
Notes payable	517,024	396,096
Deferred revenue	1,500	2,000
Total current liabilities	<u>852,773</u>	<u>603,179</u>
Notes payable, less current portion	175,926	-
Total liabilities	<u>1,028,699</u>	<u>603,179</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	139,484	472,992
Temporarily restricted	7,151,641	7,073,726
Permanently restricted	2,488,485	2,488,485
Total net assets	<u>9,779,610</u>	<u>10,035,203</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 10,808,309</u></b>	<b><u>\$ 10,638,382</u></b>

The accompanying notes are an integral part of these financial statements.

**CONTEMPORARY ARTS CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Contributions	\$ 606,994	\$ 263,425	\$ -	\$ 870,419
Contributions in-kind	63,226	-	-	63,226
Program services grants	80,213	22,503	-	102,716
Membership dues	132,925	-	-	132,925
Admissions, workshop fees, meetings, and conferences	568,800	23,776	-	592,576
Special fund-raising events and admissions	94,908	-	-	94,908
Sales of art, catalogs, and subscriptions	17,949	-	-	17,949
Beverage, food, and hospitality services	819,161	-	-	819,161
Professional service income	100,199	-	-	100,199
Investment income	115,643	46,285	-	161,928
Unrealized gain on investments	410	216,953	-	217,363
Other	12,165	-	-	12,165
Total support and revenue before net assets released from restrictions	2,612,593	572,942	-	3,185,535
Net assets released from restrictions	495,027	(495,027)	-	-
Total support and revenue	3,107,620	77,915	-	3,185,535
<b><u>EXPENSES</u></b>				
Advertising	46,999	-	-	46,999
Artist fees	279,901	-	-	279,901
Bad debts expense	7,778	-	-	7,778
Beverage, food, and hospitality	219,559	-	-	219,559
Employee benefits	84,274	-	-	84,274
Entertainment	19,474	-	-	19,474
Interest expense	26,018	-	-	26,018
Meetings, conferences, and travel	70,996	-	-	70,996
Memberships	27,596	-	-	27,596
Miscellaneous	78,719	-	-	78,719
Payroll taxes	87,803	-	-	87,803
Postage and shipping	20,063	-	-	20,063
Printing, publications, films, etc.	72,164	-	-	72,164
Professional, technical, and contract services	236,625	-	-	236,625
Program and royalty fees	178	-	-	178
Rentals	223,864	-	-	223,864
Salaries	1,041,690	-	-	1,041,690
Security and insurance	177,728	-	-	177,728
Supplies, maintenance, and equipment	214,001	-	-	214,001
Telephone and utilities	138,066	-	-	138,066
Value of in-kind contributions	63,226	-	-	63,226
Total expenses before depreciation	3,136,722	-	-	3,136,722
Excess of support and revenue over expenses before depreciation	(29,102)	77,915	-	48,813
Depreciation expense	304,406	-	-	304,406
Change in net assets	(333,508)	77,915	-	(255,593)
<b><u>NET ASSETS</u></b> , beginning of period	472,992	7,073,726	2,488,485	10,035,203
<b><u>NET ASSETS</u></b> , end of period	\$ 139,484	\$ 7,151,641	\$ 2,488,485	\$ 9,779,610

The accompanying notes are an integral part of this financial statement.

**CONTEMPORARY ARTS CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Contributions	\$ 511,177	\$ 176,000	\$ 194	\$ 687,371
Contributions in-kind	101,088	-	-	101,088
Program services grants	53,167	-	-	53,167
Membership dues	128,526	-	-	128,526
Admissions, workshop fees, meetings, and conferences	506,685	26,036	-	532,721
Special fund-raising events and admissions	67,841	-	-	67,841
Sales of art, catalogs, and subscriptions	13,600	-	-	13,600
Beverage, food, and hospitality services	663,375	-	-	663,375
Professional service income	77,727	-	-	77,727
Investment income	103,040	51,770	-	154,810
Unrealized gain (loss) on investments	(115)	114,530	-	114,415
Business interruption settlement	1,681,976	-	-	1,681,976
Other	9,339	-	-	9,339
Total support and revenue before net assets released from restrictions	3,917,426	368,336	194	4,285,956
Net assets released from restrictions	394,578	(394,578)	-	-
Total support and revenue	4,312,004	(26,242)	194	4,285,956
<b><u>EXPENSES</u></b>				
Advertising	22,049	-	-	22,049
Artist fees	277,384	-	-	277,384
Beverage, food, and hospitality	204,195	-	-	204,195
Employee benefits	78,138	-	-	78,138
Entertainment	14,027	-	-	14,027
Interest expense	35,434	-	-	35,434
Meetings, conferences, and travel	23,461	-	-	23,461
Memberships	25,710	-	-	25,710
Miscellaneous	61,204	-	-	61,204
Payroll taxes	84,474	-	-	84,474
Postage and shipping	11,135	-	-	11,135
Printing, publications, films, etc.	41,062	-	-	41,062
Professional, technical, and contract services	223,628	-	-	223,628
Program and royalty fees	9,308	-	-	9,308
Rentals	86,635	-	-	86,635
Salaries	1,122,803	-	-	1,122,803
Security and insurance	141,633	-	-	141,633
Supplies, maintenance, and equipment	284,751	-	-	284,751
Telephone and utilities	129,089	-	-	129,089
Value of in-kind contributions	101,088	-	-	101,088
Total expenses before depreciation	2,977,208	-	-	2,977,208
Excess of support and revenue over expenses before depreciation	1,334,796	(26,242)	194	1,308,748
Depreciation expense	291,941	-	-	291,941
Change in net assets	1,042,855	(26,242)	194	1,016,807
<b><u>NET ASSETS</u>, beginning of period</b>	<b>(569,863)</b>	<b>7,099,968</b>	<b>2,488,291</b>	<b>9,018,396</b>
<b><u>NET ASSETS</u>, end of period</b>	<b>\$ 472,992</b>	<b>\$ 7,073,726</b>	<b>\$ 2,488,485</b>	<b>\$ 10,035,203</b>

The accompanying notes are an integral part of this financial statement.



**CONTEMPORARY ARTS CENTER**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (255,593)	\$ 1,016,807
Adjustments to reconcile change in net assets to net cash (used in) provided by operating and capital fund-raising activities:		
Depreciation expense	304,406	291,941
Unrealized gain on investments	(217,363)	(114,415)
Gain on sale of investments	(116,148)	(144,618)
Changes in operating assets and liabilities:		
Accounts receivable, net	(72,246)	9,342
Prepaid expenses	(20,982)	(6,288)
Accounts payable and accrued expenses	84,547	10,582
Other assets	(935)	-
Deferred revenue	(500)	(21,638)
Net cash provided by (used in) by operating activities	<u>(294,814)</u>	<u>1,041,713</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(265,347)	(12,115)
Purchases of investments	(338,343)	(200,000)
Proceeds from sales of investments	428,926	109,029
Net cash used in investing activities	<u>(174,764)</u>	<u>(103,086)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Borrowings on notes payable	700,000	688,212
Cash overdraft liability	44,619	-
Principal payments on notes payable	(403,146)	(1,267,407)
Net cash provided by (used in) financing activities	<u>341,473</u>	<u>(579,195)</u>
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u></b>	(128,105)	359,432
Cash and cash equivalents at beginning of year	633,240	273,808
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	<u>\$ 505,135</u>	<u>\$ 633,240</u>
<b><u>SUPPLEMENTAL DISCLOSURE</u></b>		
Cash paid during the year for:		
Interest	<u>\$ 26,018</u>	<u>\$ 35,434</u>
<b><u>Non-Cash Transactions</u></b>		
In-kind contributions	<u>\$ 63,226</u>	<u>\$ 101,088</u>

The accompanying notes are an integral part of these financial statements.

## CONTEMPORARY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

#### **1. Summary of Significant Accounting Policies**

The Contemporary Arts Center (the "Center") is a multi-disciplinary organization dedicated to presenting the works of local, national, and international artists. The Center offers a year round calendar of exhibitions, performances, and educational programs designed to engage diverse public audiences of all ages, while providing technical and developmental support for local artists.

The following program and supporting services are included in the accompanying financial statements:

Visual Arts – A year round calendar of curated visual art exhibits by local, national, and international artists.

Performing Arts – A year round calendar of theatrical and musical presentations by local, national, and international artists. Community theater support program provides low cost presentation space and technical assistance to local performing artists/organizations.

Education and Community Outreach – School field trips, a summer camp, adult lectures, and presentations. Building relationships with community-based organizations to increase audience diversity and bring arts programming to the many communities of New Orleans.

#### Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Cash and Cash Equivalents

The Center places its cash and cash equivalents with high credit quality institutions in the greater New Orleans area. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2014 and 2013. Amounts on deposit may, at times, exceed insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks.

#### Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Customer accounts are considered delinquent based upon contractual payment terms, as applicable. The Center uses the allowance method to account for uncollectible receivables. Receivables are charged against the allowance when deemed to be uncollectible. The allowance is based on management's estimate of uncollectible amounts. Management has recorded an allowance of \$7,778 at June 30, 2014. No allowance was deemed necessary at June 30, 2013.

## CONTEMPORARY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

#### **1. Summary of Significant Accounting Policies (continued)**

##### Property and Equipment

Property and equipment are stated at acquisition cost or, in the case of gifts, fair value at the date of donation. Major additions are capitalized. Maintenance and repairs that do not improve or extend the life of the respective asset are charged to expense. Depreciation is computed using the straight-line method over the assets' estimated useful lives of 3 to 5 years for equipment and 30 years for the building. Building improvements are depreciated over the lesser of 15 years or the remaining life of the building.

##### Art Collection

The Center commissioned several works of art that are housed in the building at 900 Camp Street and are carried in the accompanying financial statements at cost. The Center does not record depreciation on the art collection, as depreciation is not required to be recognized under accounting principles generally accepted in the United States of America on individual works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.

##### Net Assets

Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Accounting Standards Codification of the Financial Accounting Standards Board (ASC). Under the *Not-for-Profit Entities* Topic of the ASC, the Center classifies its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Receives contributions and other revenues and expends funds for the general operation of the Center which have no restricted uses.

Temporarily Restricted Net Assets - Grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period. The Center's temporarily restricted net assets primarily consists of a building donated by a related party (see Note 5) and donations and fees received related to various campaigns and programs expected to be used within the next year.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the Center. Permanently restricted net assets are amounts set aside that are due to or invested in the Center's endowment funds.

## CONTEMPORARY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

#### **1. Summary of Significant Accounting Policies (continued)**

##### Gifts, Grants, and Pledges

Gifts, grants, and pledges are recorded in the three classes of net assets in accordance with the restriction of the donors. Non-cash gifts and grants are recorded as revenue at fair market value at the date contributed, if an objective valuation is determinable. Pledged contributions are recorded as receivables when a firm pledge is made and collectability is reasonably determinable. If a pledge is to be received over a period of more than a year, the respective non-current amount is recorded at the net present value of future contributions as a non-current receivable.

##### Donated Materials and Services

Certain donated materials and services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. In addition, a substantial number of unpaid volunteers have donated significant amounts of their time to the development of the Center's program services and in its fund-raising campaigns; these services have not been recorded as contributions since there is no objective basis to measure their value.

Donated materials for the years ended June 30, 2014 and June 30, 2013 were \$33,256 and \$29,161, respectively. Donated services for the years ended June 30, 2014 and June 30, 2013 were \$29,970 and \$71,927, respectively.

##### Investments

Investments are carried at fair market value in the accompanying statements of financial position (See Note 3). Changes in unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Gains and losses from the sale or other disposition of investments and other non-cash assets are accounted for in the classification that reported the assets. Ordinary income from investments is accounted for in the classification reporting the assets.

##### Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the financial statements.

The Center applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Center has reviewed its tax positions and determined there were no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities; therefore implementation of this standard has not had a material effect on the Center.

**CONTEMPORARY ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**1. Summary of Significant Accounting Policies (continued)**

Income Taxes (continued)

The Center's tax returns for the years ended June 30, 2013, June 30, 2012, and June 30, 2011 remain open and subject to examination by taxing authorities. The tax return for the year ended June 30, 2014 has not been filed as of the report date and the extension request has been approved.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Property and Equipment**

Property and equipment as of June 30, 2014 consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Land	\$ -	\$ 3,150,000	\$ 3,150,000
Buildings and improvements	878,230	6,596,738	7,474,968
Equipment	528,150	-	528,150
	1,406,380	9,746,738	11,153,118
Less: accumulated depreciation	701,737	3,438,299	4,140,036
	<u>\$ 704,643</u>	<u>\$ 6,308,439</u>	<u>\$ 7,013,082</u>

Property and equipment as of June 30, 2013 consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Land	\$ -	\$ 3,150,000	\$ 3,150,000
Buildings and improvements	751,283	6,596,738	7,348,021
Equipment	389,750	-	389,750
	1,141,033	9,746,738	10,887,771
Less: accumulated depreciation	633,281	3,202,349	3,835,630
	<u>\$ 507,752</u>	<u>\$ 6,544,389</u>	<u>\$ 7,052,141</u>

## CONTEMPORARY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

#### **3. Investments**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the investment has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Valuation methodology inputs are unobservable and significant to fair value measurement.

The investments fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013:

*Common stocks and Mutual Funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Greater New Orleans Foundation (GNOF):* Investments are held in pooled assets and separately invested portfolios. The investments are valued based on the underlying securities maintained in the pooled asset portfolio.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## CONTEMPORARY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

#### **3. Investments (continued)**

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Funds	\$ 836,869	\$ 781,282	\$ -	\$ 1,618,151
Fixed Income Funds	142,430	439,639	-	582,069
Money Market Funds	94,743	24,122	-	118,865
Other Investments held by GNOF	-	479,647	208,645	688,292
Total Assets at Fair Value	<u>\$ 1,074,042</u>	<u>\$ 1,724,690</u>	<u>\$ 208,645</u>	<u>\$ 3,007,377</u>

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Funds	\$ 847,810	\$ 691,606	\$ -	\$ 1,539,416
Fixed Income Funds	251,994	380,837	-	632,831
Money Market Funds	16,080	642	-	16,722
Other Investments held by GNOF	-	338,303	237,177	575,480
Total Assets at Fair Value	<u>\$ 1,115,884</u>	<u>\$ 1,411,388</u>	<u>\$ 237,177</u>	<u>\$ 2,764,449</u>

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for the year ended June 30, 2014:

Beginning balance	\$ 237,177
Net change	<u>(28,532)</u>
Ending balance	<u>\$ 208,645</u>

#### **4. Endowments**

In accordance with the requirements, established by the Financial Accounting Standards Board (FASB), for endowment funds, the Center shall provide information about the net assets of its endowment funds. The Center's Board of Directors (the Board) is of the belief they have a strong fiduciary duty to manage the assets of the Center's endowments in the most prudent manner possible. The Board recognizes its responsibility is to protect the donors' intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If the intent is not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions, and preservation of the fund.

The Center maintains its endowments with a bank (\$1,026,736 and \$929,096, for the years ended June 30, 2014 and 2013) and with GNOF (\$1,999,498 and \$1,854,188 for the years ended June 30 2014, and 2013). GNOF follows a Total Return Spending Policy for its component funds. Component Funds are invested for maximum total return (within acceptable risk parameters), without distinction between interest, dividends, and realized and unrealized gains and losses.

**CONTEMPORARY ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**4. Endowments (continued)**

The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for both 2014 and 2013 distributions is 4%. This percentage is evaluated each year and adjusted as necessary. Component Funds where the fair market value of the fund, at the time of implementation of this policy is below the historic gift balance, will not apply the methodology described above. Those funds will be required to suspend grant making until such time the fair market value exceeds the historic gift balance.

In accordance with the Center's policy, the Center spends annually between 2.5% and 6% of the latest three year fair market value average for general endowments for the endowments held by the bank and a certain endowment held by the GNOF.

The goals and objectives of the Center's investment policy are to 1) provide investment earnings adequate to fulfill the desires of donors as stated in the gift instruments, 2) achieve a total return adequate to fund the spending rate plus corpus growth to ensure future benefits to new generations, and 3) invest in a variety of diversified categories so that the diversity of the performance characteristics will reduce the volatility of returns from year to year.

Changes in endowment net assets for the year ended June 30, 2014 and 2013 were as follows:

	<b><u>Temporarily Unrestricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, July 1, 2013	\$ 294,799	\$ 2,488,485	\$ 2,783,284
<u>Investment return</u>			
Investment income	162,566	-	162,566
Net unrealized appreciation (depreciation)	216,953	-	216,953
Total	379,519	-	379,519
Contributions	-	-	-
Subtotal	379,519	-	379,519
Dividends/distributions to unrestricted	(116,281)	-	(116,281)
Other changes	(20,288)	-	(20,288)
Endowment net assets, June 30, 2014	<u>\$537,749</u>	<u>\$ 2,488,485</u>	<u>\$ 3,026,234</u>



**CONTEMPORARY ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**4. Endowments (continued)**

	<b><u>Temporarily Unrestricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, July 1, 2012	\$ 144,975	\$ 2,488,291	\$ 2,633,266
<u>Investment return</u>			
Investment income	144,424	-	144,424
Net unrealized appreciation (depreciation)	114,530	-	114,530
Total	258,954	-	258,954
Contributions	-	194	194
Subtotal	258,954	194	259,148
Dividends/distributions to unrestricted	(92,849)	-	(92,849)
Other changes	(16,281)	-	(16,281)
Endowment net assets, June 30, 2013	<u>\$ 294,799</u>	<u>\$ 2,488,485</u>	<u>\$ 2,783,284</u>

**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30:

	2014	2013
Building (see Note 2)	\$ 6,308,439	\$ 6,544,389
Endowment income – time restricted	537,749	294,799
Camp	23,776	37,036
Warhol Foundation Exhibit	100,000	-
Other	181,677	197,502
Ending balance	<u>\$ 7,151,641</u>	<u>\$ 7,073,726</u>

**CONTEMPORARY ARTS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**6. Notes Payable**

Notes payable consisted of the following at June 30:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Line of Credit extended by bank dated September 26, 2011 bearing interest at 5.25% with balance due in January 15, 2015, secured by real estate.	\$ 300,000	\$ 107,096
Note payable to a bank dated June 4, 2009, bearing interest at 5.50%, payable in monthly installments of \$2,000 with outstanding balance due on June 1, 2014, secured by real estate.	-	289,000
Line of Credit extended by bank dated February 5, 2014 with a variable interest rate with balance due in January 31, 2015, secured by investment amounts on deposit with a financial institution.	200,000	-
Note payable to a bank dated February 5, 2014, bearing interest at 3.75%, payable in monthly installments of \$2,005 with outstanding balance due on January 31, 2019, secured by real estate	192,950	-
Total notes payable	692,950	396,096
Less: current portion	517,024	396,096
Total long-term notes payable	<u>\$ 175,926</u>	<u>\$ -</u>

At June 30, 2014, the Center had \$500,000 available in revolving lines of credit with two financial institutions. There was an outstanding balance of \$500,000 on the available lines of credit at June 30, 2014. At June 30, 2013, the Center had \$300,000 available in revolving lines of credit with two financial institutions. There was an outstanding balance of \$107,096 on the available lines of credit at June 30, 2013.

**CONTEMPORARY ARTS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**6. Notes Payable (continued)**

Annual scheduled maturities of long-term debt for the five fiscal years subsequent to June 30, 2014 were as follows:

2015	\$517,024
2016	17,665
2017	18,365
2018	19,073
2019	<u>120,823</u>
Total	<u>\$692,950</u>

Interest expense was \$26,018 and \$35,434 for the years ended June 30, 2014 and 2013, respectively.

**7. Related-Party Transactions**

A company controlled by a member of the Center's Board of Directors leased a portion of the building at 900 Camp Street to the Center pursuant to a lease, which initially expired in December 1992. On December 2, 1994, the lease was amended such that no rent was due from the Center. The lessor made a pledge to donate the building and land to the Center on July 1, 1999. Therefore, the Center recorded the donation of the building as of June 30, 1999 based on the \$9,000,000 valuation specified in the act of donation. In addition, the act of donation stated that each of the terms, conditions, restrictions, and covenants therein were to remain in effect for a period of 20 years from the effective date of the donation of the property.

Members of the Center's board of directors and parties related to them made contributions of approximately \$90,084 and \$125,653 during fiscal years 2014 and 2013, respectively.

**8. Subsequent Events**

In November 2014 the Center received notification of a \$100,000 grant award to support the Watermarks Project. In December 2014, the Center received a contribution of \$250,000 to support the Center's Visual Arts and Education Programs.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 14, 2015, and determined that no events have occurred that require disclosure.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
Contemporary Arts Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Contemporary Arts Center (the "Center"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and statements of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Forrest H. White & Setteville*

Metairie, Louisiana  
January 14, 2015

**SUPPLEMENTAL SCHEDULE**

**CONTEMPORARY ARTS CENTER**  
**SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services			Supporting Services											
	Performance	Education	Visual Arts	Marketing	Development	Hospitality	Café	Management and General	Unrestricted Totals	Temporarily Restricted	Permanently Restricted	Total			
<b>SUPPORT AND REVENUE</b>															
Contributions	\$ 36,746	\$ 91,434	\$ 117,710	\$ -	\$ -	\$ -	\$ 60	\$ 361,044	\$ 606,994	\$ 263,425	\$ -	\$ 870,419			
Contributions in-kind	-	-	-	-	-	-	-	63,226	63,226	-	-	63,226			
Program services grants	7,069	-	20,167	-	-	-	-	52,977	80,213	22,503	-	102,716			
Membership dues	-	-	-	-	-	-	55	132,870	132,925	-	-	132,925			
Admissions, workshop fees, meetings and conferences	106,455	58,425	45,094	-	-	354,051	-	4,775	568,800	23,776	-	592,576			
Special fund-raising events and admissions	2,050	90	40,000	-	-	-	-	52,768	94,908	-	-	94,908			
Sales of art, catalogs and subscriptions	-	163	-	-	-	-	16,262	1,524	17,949	-	-	17,949			
Beverage, food, and hospitality services	-	-	-	-	-	662,385	44,762	112,014	819,161	-	-	819,161			
Professional services income	-	-	-	-	-	92,606	-	7,593	100,199	-	-	100,199			
Investment income	31,504	-	-	-	-	-	-	84,139	115,643	46,285	-	161,928			
Unrealized gain on investments	-	-	-	-	-	-	-	410	410	216,953	-	217,363			
Other	3,728	186	1,264	-	-	621	-	6,366	12,165	-	-	12,165			
Net assets released from restrictions	2,500	77,036	77,755	25,000	-	-	-	312,736	495,027	(495,027)	-	-			
Total support and revenue	190,052	227,334	301,990	25,000	-	1,109,663	61,139	1,192,442	3,107,620	77,915	-	3,185,535			
<b>EXPENSES</b>															
Advertising	7,990	7,520	14,570	1,410	8,460	1,880	470	4,700	46,999	-	-	46,999			
Artist fees	47,583	44,784	86,769	8,397	50,382	11,196	2,799	27,990	279,901	-	-	279,901			
Bad debts expense	1,322	1,244	2,411	233	1,400	311	78	778	7,778	-	-	7,778			
Beverage, food and hospitality	37,325	35,129	68,063	6,587	39,521	8,782	2,196	21,956	219,559	-	-	219,559			
Depreciation	51,749	48,705	94,366	9,132	54,793	12,176	3,044	30,441	304,406	-	-	304,406			
Employee benefits	14,327	13,484	26,125	2,528	15,169	3,371	843	8,427	84,274	-	-	84,274			
Entertainment	3,311	3,116	6,037	584	3,505	779	195	1,947	19,474	-	-	19,474			
Interest expense	4,423	4,163	8,066	781	4,683	1,041	260	2,602	26,018	-	-	26,018			
Meetings, conferences and travel	12,069	11,359	22,009	2,130	12,779	2,840	710	7,100	70,996	-	-	70,996			
Memberships	4,691	4,415	8,555	828	4,967	1,104	276	2,760	27,596	-	-	27,596			
Miscellaneous	13,382	12,595	24,403	2,362	14,169	3,149	787	7,872	78,719	-	-	78,719			
Payroll taxes	14,927	14,048	27,219	2,634	15,805	3,512	878	8,780	87,803	-	-	87,803			
Postage and shipping	3,411	3,210	6,220	602	3,611	803	201	2,006	20,063	-	-	20,063			
Printing, publications, films, etc.	12,268	11,546	22,371	2,165	12,990	2,887	722	7,216	72,164	-	-	72,164			
Professional, technical and contract services	40,226	37,860	73,354	7,099	42,593	9,465	2,366	23,663	236,625	-	-	236,625			
Program and royalty fees	30	28	55	5	32	7	2	18	178	-	-	178			
Rentals	38,057	35,818	69,398	6,716	40,296	8,955	2,239	22,386	223,864	-	-	223,864			
Salaries	177,087	166,670	322,924	31,251	187,504	41,668	10,417	104,169	1,041,690	-	-	1,041,690			
Security and insurance	30,214	28,436	55,096	5,332	31,991	7,109	1,777	17,773	177,728	-	-	177,728			
Supplies, maintenance and equipment	36,380	34,240	66,340	6,420	38,520	8,560	2,140	21,400	214,001	-	-	214,001			
Telephone and utilities	23,471	22,091	42,800	4,142	24,852	5,523	1,381	13,807	138,066	-	-	138,066			
Value of in-kind contributions	10,748	10,116	19,600	1,897	11,381	2,529	632	6,323	63,226	-	-	63,226			
Total expenses	584,991	550,577	1,066,751	103,235	619,403	137,647	34,413	344,114	3,441,128	-	-	3,441,128			
<b>EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ (394,939)</b>	<b>\$ (323,243)</b>	<b>\$ (764,761)</b>	<b>\$ (78,235)</b>	<b>\$ (619,403)</b>	<b>\$ 972,016</b>	<b>\$ 26,726</b>	<b>\$ 848,328</b>	<b>\$ (333,508)</b>	<b>\$ 77,915</b>	<b>\$ -</b>	<b>\$ (255,593)</b>			

See independent auditors' report.